

**ILIAD WATER SERVICES, INC.
PO BOX 20429
SEATTLE, WA 98102
(800) 928-3750**

May 3, 2006

WUTC
PO Box 47250
Olympia, WA 98504-7250

VIA FAX 360-586-1130

Attn: Dan Kermode, C.P.A.

Re: Alderlake Water System – UW-060343 Assessment Charges
Informal Data Request 2

Dear Mr. Kermode:

In response to your letter of April 24, 2006 received in our office on May 1, 2006 we offer the following.

1. We have no formal cost study or correspondence supporting our engineer's response to the State Drinking Water State Revolving Funds. The discussions with the engineers have been verbal in determining the best financing for this project.

We have requested a written response from the engineer to provide his supporting evaluation experienced with SRF. Unfortunately the engineer's wife passed away last week and we will be delayed in receiving a response.

The discussion we had with our engineer in response to your letter of March 28, 2006 was based on his experience with SRF loans and SRF application guidelines.

TOPICS OF DISCUSSION

Covering increased costs, eligibility and time loss under SRF loan.

1. The engineer did not believe Iliad Water Service, Inc. would be eligible without a formal water plan approval from DOH. Estimated costs \$10,000 - \$15,000.
2. Financial eligibility would be questionable.
3. Restrictions on what the loan could finance.
4. Increased administration costs.

5. Increased engineering with formal bidding and final inspection reports certification.
6. Insurance cost required performance bond.
7. Prevailing wage.
8. Attorney fees.
9. Loan fees.
10. Audit costs.

The Water Company determined that a loan in place was economical more feasible on this project than the SRF loan with the increased costs, time, restrictions and eligibility with no assurance of getting the loan.

We have attached Washington State Prevailing Wage Rates showing comparison to non-prevailing wages.

	<u>Non Prevailing Wages</u>	<u>Prevailing Wages</u>
Labor	\$12.00 / \$15.00	\$33.46
Operator	\$23.00 / \$28.00	\$41.12
Plumber/ Piper	\$22.00 / \$25.00	\$46.72
Electrician	\$25.00 / \$30.00	\$44.23

2. B.H.L. Investment, Inc. have been providing financing for the purchase and improvements for water systems within the State of Washington since 1989. They provided the original purchase loan for the Alderlake water system.

We have investigated loans with Bank of America and Key Bank. There are short term loan requirements with restrictions on loan amount based on assets.

If you have any questions, please call me at (206) 282-4200.

Sincerely,

Derek Dorland *SD*

Cc: Richard Finnigan

PIERCE COUNTY

Effective 08-31-05

Classification	PREVAILING WAGE	(See Benefit Code Key)		
		Over Time Code	Holiday Code	Note Code
ELECTRICIANS - INSIDE				
* CABLE SPLICER	\$47.40	1G	5C	
* JOURNEY LEVEL	\$44.23	1G	5C	
* LEAD COVERED CABLE SPLICER	\$50.57	1G	5C	
* WELDER	\$47.40	1G	5C	
ELECTRICIANS - MOTOR SHOP				
CRAFTSMAN	\$15.37	2A	6C	
JOURNEY LEVEL	\$14.69	2A	6C	
ELECTRICIANS - POWERLINE CONSTRUCTION				
CABLE SPLICER	\$50.84	4A	5A	
CERTIFIED LINE WELDER	\$46.37	4A	5A	
GROUNDPERSON	\$33.64	4A	5A	
HEAD GROUNDPERSON	\$35.46	4A	5A	
HEAVY LINE EQUIPMENT OPERATOR	\$48.37	4A	5A	
JACKHAMMER OPERATOR	\$35.48	4A	5A	
JOURNEY LEVEL LINEPERSON	\$46.37	4A	5A	
LINE EQUIPMENT OPERATOR	\$39.50	4A	5A	
POLE SPRAYER	\$48.37	4A	5A	
POWDERPERSON	\$35.48	4A	5A	
ELECTRONIC TECHNICIANS				
ELECTRONIC TECHNICIANS JOURNEY LEVEL	\$32.39	1		
ELEVATOR CONSTRUCTORS				
MECHANIC	\$52.27	4A	6Q	
MECHANIC IN CHARGE	\$57.41	4A	6Q	
FABRICATED PRECAST CONCRETE PRODUCTS				
ALL CLASSIFICATIONS	\$9.28	1		
FENCE ERECTORS				
FENCE ERECTOR	\$16.57	1		
FLAGGERS				
JOURNEY LEVEL	\$28.78	1N	5D	
GLAZIERS				
JOURNEY LEVEL	\$41.15	1H	5G	
HEAT & FROST INSULATORS AND ASBESTOS WORKERS				
MECHANIC	\$43.18	1S	5J	
HEATING EQUIPMENT MECHANICS				
MECHANIC	\$18.45	1		
HOD CARRIERS & MASON TENDERS				
JOURNEY LEVEL	\$33.94	1N	5D	
INDUSTRIAL ENGINE AND MACHINE MECHANICS				
MECHANIC	\$15.65	1		
INDUSTRIAL POWER VACUUM CLEANER				
JOURNEY LEVEL	\$9.07	1		
INLAND BOATMEN				
CAPTAIN	\$35.14	1K	5B	
COOK	\$30.11	1K	5B	
DECKHAND	\$29.09	1K	5B	
ENGINEER/DECKHAND	\$31.88	1K	5B	
MATE, LAUNCH OPERATOR	\$33.24	1K	5B	
INSPECTION/CLEANING/SEALING OF SEWER & WATER SYSTEMS BY REMOTE CONTROL				
CLEANER OPERATOR, FOAMER OPERATOR	\$9.73	1		
GROUT TRUCK OPERATOR	\$11.48	1		

PIERCE COUNTY

Effective 08-31-05

(See Benefit Code Key)

<u>Classification</u>	<u>PREVAILING WAGE</u>	<u>(See Benefit Code Key)</u>		
		<u>Over Time Code</u>	<u>Holiday Code</u>	<u>Note Code</u>
HIGH SCALER	\$34.30	1N	5D	
HOD CARRIER/MORTARMAN	\$33.94	1N	5D	
JACKHAMMER	\$33.94	1N	5D	
LASER BEAM OPERATOR	\$33.94	1N	5D	
MANHOLE BUILDER-MUDMAN	\$33.94	1N	5D	
MATERIAL YARDMAN	\$33.46	1N	5D	
MINER	\$34.30	1N	5D	
NOZZLEMAN, CONCRETE PUMP, GREEN CUTTER WHEN USING HIGH PRESSURE AIR & WATER ON CONCRETE & ROCK, SANDBLAST, GUNITE, SHOTCRETE, WATER BLASTER	\$33.94	1N	5D	
PAVEMENT BREAKER	\$33.94	1N	5D	
PILOT CAR	\$28.78	1N	5D	
PIPE POT TENDER	\$33.94	1N	5D	
PIPE RELINER (NOT INSERT TYPE)	\$33.94	1N	5D	
PIPELAYER & CAULKER	\$33.94	1N	5D	
PIPELAYER & CAULKER (LEAD)	\$34.30	1N	5D	
PIPEWRAPPER	\$33.94	1N	5D	
POT TENDER	\$33.46	1N	5D	
POWDERMAN	\$34.30	1N	5D	
POWDERMAN HELPER	\$33.46	1N	5D	
POWERJACKS	\$33.94	1N	5D	
RAILROAD SPIKE PULLER (POWER)	\$33.94	1N	5D	
RE-TIMBERMAN	\$34.30	1N	5D	
RIPRAP MAN	\$33.46	1N	5D	
RODDER	\$33.94	1N	5D	
SCAFFOLD ERECTOR	\$33.46	1N	5D	
SCALE PERSON	\$33.46	1N	5D	
SIGNALMAN	\$33.46	1N	5D	
SLOPER (OVER 20")	\$33.94	1N	5D	
SLOPER SPRAYMAN	\$33.46	1N	5D	
SPREADER (CLARY POWER OR SIMILAR TYPES)	\$33.94	1N	5D	
SPREADER (CONCRETE)	\$33.94	1N	5D	
STAKE HOPPER	\$33.46	1N	5D	
STOCKPILER	\$33.46	1N	5D	
TAMPER & SIMILAR ELECTRIC, AIR & GAS	\$33.94	1N	5D	
TAMPER (MULTIPLE & SELF PROPELLED)	\$33.94	1N	5D	
TOOLROOM MAN (AT JOB SITE)	\$33.46	1N	5D	
TOPPER-TAILER	\$33.46	1N	5D	
TRACK LABORER	\$33.46	1N	5D	
TRACK LINER (POWER)	\$33.94	1N	5D	
TRUCK SPOTTER	\$33.46	1N	5D	
TUGGER OPERATOR	\$33.94	1N	5D	
VIBRATING SCREED (AIR, GAS, OR ELECTRIC)	\$33.46	1N	5D	
VIBRATOR	\$33.94	1N	5D	
VINYL SEAMER	\$33.46	1N	5D	
WELDER	\$33.46	1N	5D	
WELL-POINT LABORER	\$33.94	1N	5D	
LABORERS - UNDERGROUND SEWER & WATER				
* GENERAL LABORER	\$33.46	1N	5D	
PIPE LAYER	\$33.94	1N	5D	
LANDSCAPE CONSTRUCTION				
IRRIGATION OR LAWN SPRINKLER INSTALLERS	\$9.90	1		

PIERCE COUNTY

Effective 08-31-05

Classification	PREVAILING WAGE	(See Benefit Code Key)		
		Over Time Code	Holiday Code	Note Code
LANDSCAPE EQUIPMENT OPERATORS OR TRUCK DRIVERS	\$11.91	1		
LANDSCAPING OR PLANTING LABORERS	\$9.73	1		
LATHERS				
JOURNEY LEVEL	\$40.22	1M	5D	
METAL FABRICATION (IN SHOP)				
FITTER	\$15.25	1		
LABORER	\$9.25	1		
MACHINE OPERATOR	\$13.98	1		
WELDER	\$13.98	1		
PAINTERS				
JOURNEY LEVEL	\$32.00	2B	5A	
PLASTERERS				
JOURNEY LEVEL	\$40.58	1R	5A	
PLAYGROUND & PARK EQUIPMENT INSTALLERS				
JOURNEY LEVEL	\$9.73	1		
* PLUMBERS & PIPEFITTERS				
JOURNEY LEVEL	\$48.72	1G	5A	
POWER EQUIPMENT OPERATORS				
ASSISTANT ENGINEERS	\$38.42	1T	5D	8L
* BACKHOE, EXCAVATOR, SHOVEL (3 YD & UNDER)	\$41.12	1T	5D	8L
BACKHOE, EXCAVATOR, SHOVEL (OVER 3 YD & UNDER 6 YD)	\$41.59	1T	5D	8L
BACKHOE, EXCAVATOR, SHOVEL (6 YD AND OVER WITH	\$42.13	1T	5D	8L
BACKHOES, (75 HP & UNDER)	\$40.71	1T	5D	8L
BACKHOES, (OVER 75 HP)	\$41.12	1T	5D	8L
BARRIER MACHINE (ZIPPER)	\$41.12	1T	5D	8L
BATCH PLANT OPERATOR, CONCRETE	\$41.12	1T	5D	8L
BELT LOADERS (ELEVATING TYPE)	\$40.71	1T	5D	8L
BOBCAT (SKID STEER)	\$38.42	1T	5D	8L
BROOMS	\$38.42	1T	5D	8L
BUMP CUTTER	\$41.12	1T	5D	8L
CABLEWAYS	\$41.59	1T	5D	8L
CHIPPER	\$41.12	1T	5D	8L
COMPRESSORS	\$38.42	1T	5D	8L
CONCRETE FINISH MACHINE - LASER SCREED	\$38.42	1T	5D	8L
CONCRETE PUMPS	\$40.71	1T	5D	8L
CONCRETE PUMP-TRUCK MOUNT WITH BOOM ATTACHMENT	\$41.12	1T	5D	8L
CONVEYORS	\$40.71	1T	5D	8L
CRANES, THRU 19 TONS, WITH ATTACHMENTS	\$40.71	1T	5D	8L
CRANES, 20 - 44 TONS, WITH ATTACHMENTS	\$41.12	1T	5D	8L
CRANES, 45 TONS - 89 TONS, UNDER 150 FT OF BOOM (INCLUDING	\$41.59	1T	5D	8L
JIB WITH ATTACHMENTS)				
CRANES, 100 TONS - 199 TONS, OR 150 FT OF BOOM (INCLUDING JIB	\$42.13	1T	5D	8L
WITH ATTACHMENTS)				
CRANES, 200 TONS TO 300 TONS, OR 250 FT OF BOOM (INCLUDING JIB	\$42.58	1T	5D	8L
WITH ATTACHMENTS)				
CRANES, A-FRAME, 10 TON AND UNDER	\$38.42	1T	5D	8L
CRANES, A-FRAME, OVER 10 TON	\$40.71	1T	5D	8L
CRANES, OVER 300 TONS, OR 300' OF BOOM INCLUDING JIB WITH	\$43.22	1T	5D	8L
ATTACHMENTS				
CRANES, OVERHEAD, BRIDGE TYPE (20 - 44 TONS)	\$41.12	1T	5D	8L
CRANES, OVERHEAD, BRIDGE TYPE (45 - 99 TONS)	\$41.59	1T	5D	8L
CRANES, OVERHEAD, BRIDGE TYPE (100 TONS & OVER)	\$42.13	1T	5D	8L
CRANES, TOWER CRANE UP TO 175' IN HEIGHT, BASE TO BOOM	\$42.13	1T	5D	8L

*

Iliad Water Services, Inc.
PO Box 20429
Seattle, WA 98102
(800) 928-3750

June 6, 2006

WUTC
PO Box 47250
Olympia, WA 98504-7250

Attn: Danny Kermode, CPA

Re: Alderlake Water System Assessment Charge Informal Data Request #3
UW-060343

Dear Mr. Kermode:

In response to your request #3 for the above project, please find enclosed response letter from our engineer addressing Topic of Discussion 1 through 5.

The response to Topics of Discussion 6 through 10 will be as follows:

1. Topic of Discussion 6: Insurance Cost.

Under S.R.F. requirements a performance bond will be required. Bond fees are between 1.5% - 2.0% of total loan. Estimated bond fee for the Alderlake project would be \$1,995.00.

2. Topic of Discussion 7: Prevailing Wages.

Under prevailing wages there would be an additional labor cost of \$14,838.00, per schedule:

Description	Non-Prevailing Wages	Prevailing Wages	Diff.	Total Project Hr.	Total
Foremen/Operator	\$ 28.50	\$ 41.12	\$12.62	192	\$2,423
Plumber/Piper	25.00	46.72	21.72	160	\$3,475
Labor	15.00	33.46	18.42	160	\$2,954
Labor	15.00	33.46	18.42	192	\$3,537
Electrician	30.00	44.23	14.23	16	\$ 228
					\$12,617
Payroll Taxes/Benefits 17.6%					2,221
Total					\$14,838

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3. Topic of Discussion 8: Attorney Fee.
There would be additional attorney fees for review of the S.R.F. and Public Works agreements and requirements, estimated cost \$1,500.00.
4. Topic of Discussion: Loan Fees.
There would not be an increase in loan fees.
5. Topic of Discussion 10: Audit Cost.
There will not be an audit cost for this project.

If you have any questions, please call.

Sincerely,

Derek Dorland ^{sd}

Cc: Richard Finnigan

J.C. Mc DONNELL ENGINEERING, P.C.
Consulting Civil Engineers
P.O. Box 13199
Mill Creek, WA. 98082

Exhibit No. _____ (DD-18)
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June 6, 2006

Mr. Derek Dorland, President
Iliad Water Services, Inc.
P.O. Box 20249
Seattle, WA. 98102

RE: Costs and Responses regarding SRF Funding for Alder Lake Water System

Dear Dave,

I have reviewed your questions regarding SRF financing of proposed changes at the subject Water System. Having looked at the Criteria, I do not see how Alder Lake can qualify for State Funding as a private "for profit" system. As you know the guidelines clearly define eligibility as "community and nonprofit non-community water systems". Assuming that bridge can somehow be crossed by Alder Lake Water System, additional costs can be expected related to the governmental nature of the contracts and the conditions associated with the loans.

1. The system must be included in the DOH approved Water System Plan (WSP) Program and in compliance with all associated planning criteria subject to the installation of the required treatment system. The DOH requires filing a WSP if:
 - a. The Water System is expanding;
 - b. The DOH District Engineer requires a Plan;
 - c. If required to secure SRF funding respond to other Agency requirements.

Estimated costs for a WSP could range from \$10,000 to \$15,000.

2. It is my understanding that the SRF program does not allow reimbursement of previous expenses such as the engineering design fees that are expended prior to the Loan Application. In the case of Alder Lake, the engineering designs were done and approved some time ago. Under the SRF program, the system would be unable to recover \$12,000 in prior engineering, testing and DOH fees. Of course, all these costs can be financed with private funding.

3. There are as you know significant administrative costs associated with the SRF program in order to meet the conditions of the Loans. Possible costs associated with the SRF funding might include:

a. Loan application preparation with Exhibits	\$1,500.00
b. Financial Review.	\$ 500.00
c. CPA Fees	\$ 800.00

(OFF) 425 744-0916

(CELL) 425 359-2717

(FAX) 425 744-0946

J.C. Mc DONNELL ENGINEERING, P.C.
Consulting Civil Engineers
P.O. Box 13199
Mill Creek, WA. 98082

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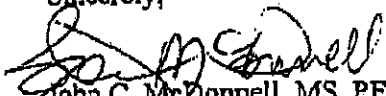
d. Environmental Review Fees(if required)	\$ 1,000.00
Archeological Survey of excavation	
Area including Consultant fee	\$ 3,500.00
e. Loan Disbursement (by Project Engineer)	\$ 500.00
f. S.R.F Close-out	<u>\$ 1,000.00</u>
Subtotal Estimated Additional Costs	\$ 8,800.00

4. The SRF Process does require additional services from the Engineer to provide for the competitive bidding process and the final inspection reports to document the effective use of the SRF monies. For Alder lake, this extra time is estimated to be an additional 35 hours of engineering, inspection and drafting time at an "average" rate of \$95.00/hour, totaling \$3,325.00. The supplies, printing and advertising costs are also quite high. According to Western Engineers, Inc., these costs amounted to almost \$3,000 for the recently completed Candy Cane SRF package. According to Barry Constant, PE, much of the costs were directly attributable to the advertising costs of notices and postings in the newspapers.

5. I am unable to address questions of Insurance, Prevailing Wages or Attorneys fees since these are not issues with which I normally have to deal.

I hope I have answered you questions. Please call if you wish to discuss these issues further.

Sincerely,


John C. McDonnell, MS, PE
President

(OFF) 425 744-0916

(CELL) 425 359-2717

(FAX) 425 744-0946